

In the Matter of the Petition of Certain
Subscribers of the Osakis Exchange for the
Establishment of Extended Area Service
Between the Osakis Exchange and the
Alexandria Exchange

ISSUE DATE: OCTOBER 22, 1987

DOCKET NO. P-552, P-430/
CP-86-724

FINDINGS OF FACT, CONCLUSIONS OF
LAW AND ORDER

PROCEDURAL HISTORY

On December 4, 1986, certain subscribers in the Osakis, Minnesota exchange filed with the Minnesota Public Utilities Commission (the Commission) a petition requesting extended area service (EAS) to the Alexandria exchange. Osakis Telephone Company (Osakis Telco) serves the Osakis exchange. The Alexandria exchange is served by United Telephone Company of Minnesota (United).

Petitions for EAS are reviewed and investigated under the requirements of the Commission's Extended Area Service Rule, Minn. Rules, parts 7815.0700 through 7815.1500 (the EAS Rule). The petition review process under the EAS Rule results in a stipulation of facts (stipulation) entered into by the Department of Public Service (DPS) and the telephone companies serving the exchanges involved. The stipulation contains the results of the traffic study; the cost study used to develop the proposed rates; the proposed rates; the size of the exchanges involved; the location of government, commercial, employment, and social centers for persons living within the petitioning exchange; the location of schools serving the petitioning exchange; the location of medical, emergency medical, law enforcement, and fire protection services serving the petitioning exchange; the list of additional facilities that will be needed and existing facilities that will be used to provide the service; the results of the informational polling (if ordered by the Commission); and the average monthly toll billings per main station over the proposed route.

Once the stipulation is completed and submitted to the Commission, all of the information contained in it is used by the Commission to make its decision whether the installation of the EAS route is required by the public interest.

The stipulation for the Osakis to Alexandria EAS petition was compiled by the DPS, Osakis Telco and United and is complete unless the Commission orders that an informational polling be conducted in one or more of the exchanges. If a poll is ordered by the Commission, the results would be included in the stipulation.

The information in the stipulation is discussed below.

Traffic Study Results

Osakis to Alexandria: Average number of calls per month. subscriber was 6.54 per month.

The results of the traffic study also indicated that approximately 30 percent of Osakis subscribers made no calls to Alexandria. Additionally, 20 percent of Osakis subscribers made 70 percent of all calls to Alexandria. No information on the traffic from Alexandria to Osakis was provided in the stipulation.

Proposed Rates

The DPS and the telephone companies were unable to stipulate to the proposed rates. Therefore, they each submitted rates based on what they believed was the appropriate costing methodology. The DPS recommended that the proposed rates be based on an equal division of Osakis Telco's incremental costs and United's embedded costs. (column 1 below). The DPS recommended that Osakis Telco use incremental costs because Osakis Telco currently has no embedded EAS investment. Osakis Telco and United supported rates based on company-specific incremental costs plus lost toll revenue contribution (column 2 below).

| <u>Osakis-Alexandria EAS</u> | (1) <u>Emb/Inc.</u> | (2) <u>Inc.&lost toll</u> | Osakis |
|------------------------------|------------------------|----------------------------------|--------|
| Exchange | | | |
| 1-Party Residential | \$ 2.30 | \$ 4.75 | |
| 1-Party Business | \$ 3.10 | \$ 6.40 | |

Size of the Exchanges

Osakis: 1,427 subscribers

Alexandria: 6,007 subscribers

Average Monthly Toll Billings

Osakis to Alexandria: \$1.82 per subscriber

Alexandria to Osakis: \$0.24 per subscriber

The Commission also reviewed the location of government, commercial, employment and social centers for Osakis subscribers; the location of schools serving Osakis; the location of Osakis' medical, emergency medical, law enforcement and fire protection services; and the additional facilities that will be needed and the existing facilities that will be used.

Under the EAS Rule, the Commission has the option of ordering an informational polling of the subscribers in one or both of the affected exchanges and having the results included in the stipulation. The Commission finds that the information contained in the stipulation submitted by the DPS, and discussed above, provides sufficient information for the Commission to make its decision whether the installation of EAS is in the public interest. For that reason, the Commission will not order an informational polling of subscribers in the Osakis or Alexandria exchanges. Therefore, the Commission concludes that the stipulation is complete.

The second issue before the Commission is whether to schedule any public meetings at this time.

According to Minn. Rules, part 7815.1100, the Commission shall schedule a public meeting within five days of receipt of the completed stipulation. The Commission may vary this rule, under Minn. Rules, part 7830.4400, where it appears to the satisfaction of the Commission that:

- A. enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule,
- B. granting of the variance would not adversely affect the public interest, and
- C. granting of the variance would not conflict with standards imposed by law.

The Commission finds that enforcement of Minn. Rules, part 7815.1100, would impose an excessive burden upon the applicant and others affected by the rule. Conducting a public meeting, when the stipulation of facts provides the Commission with the information it needs to make its decision, is an unnecessary and excessive burden upon the affected telephone companies and their subscribers in terms of the time and expense involved in scheduling and holding a public meeting.

imposed by law.

The Commission concludes that the requirements of Minn. Rules, part 7830.4400, have been met and will order Minn. Rules, part 7815.1100, varied in order to waive the requirement that a public meeting be conducted.

The next issue before the Commission is whether the proposed EAS route is in the public interest.

The Commission finds that the information contained in the stipulation demonstrated that the telephone traffic between Osakis and Alexandria was not extensive. Correspondingly, the average monthly toll billings for calls between Osakis and Alexandria were not substantial. Furthermore, the results of the cost studies and the rates proposed by the DPS and those proposed by Osakis Telco and United exceeded the current average monthly toll billings. The difference between current average monthly toll billings and the proposed EAS rates can best be illustrated by an example. Under the rates proposed by the DPS, a one-party residential subscriber would pay approximately \$2.30 per month for the proposed Osakis to Alexandria EAS route. However, the average monthly toll billings for calls from Osakis to Alexandria is only \$1.82.

The Commission also finds that during the study period 30 percent of Osakis subscribers made no calls to Alexandria. Further, 20 percent of Osakis subscribers made 70 percent of all calls to Alexandria.

The Commission has also reviewed the location of government, commercial, employment, and social centers for persons living in Osakis and the location of schools, school districts, and medical, emergency medical, law enforcement, and fire protection services serving the petitioning exchange. From the information in the stipulation, the Commission finds that Osakis subscribers would need to call Alexandria to reach a hospital and those Osakis subscribers in Douglas County would need to call Alexandria to reach their county government offices. Calls made for emergency medical, law enforcement and fire protection can be made using 911, which is not a toll call. Additionally, Osakis operates its own schools. Based on this information, and the existing traffic patterns and average monthly toll billings, the Commission finds that a community of interest does not exist to support the proposed EAS route.

Finally, the Commission finds that the purpose of its inter-exchange calling rules (which includes EAS) is to provide the flexibility required to meet the needs of customers who reside within the various telephone exchanges, reflect the geographical boundaries of individual customer calling patterns and the individuals' community of interest, offer customers fair and economical rates consistent with the customers' needs, and use telephone facilities most efficiently.

Under Minn. Rules, Part 7815.1400, the Commission shall order the installation of EAS if it finds that such an action is required by the public interest. Based on the above findings, the Commission

between the same two exchanges. The Commission may vary this rule, under Minn. Rules, part 7830.4400, under the conditions described above.

The Commission finds that enforcement of Minn. Rules, part 7815.1500, would impose an excessive burden upon the petitioners. One reason the Commission will deny the petition is the fact that the traffic studies indicate a relatively small number of Osakis subscribers are making the majority of calls to Alexandria. Osakis Telco has indicated that alternative, optional toll calling plans exist which will meet the needs of those subscribers making the majority of calls to Alexandria. If such plans do not exist, the petitioners should have some recourse. A two-year waiting period for refiling the EAS petition would impose an excessive burden upon the petitioners.

The Commission also finds that granting the variance would not adversely affect the public interest. Allowing the petitioners to repetition would not require a large expenditure of public funds since the stipulation has already been prepared. Waiting two years would require a new stipulation of facts and additional expense. Therefore, the public interest would be served by waiving the rule. Finally, granting the variance would not conflict with standards imposed by law.

The Commission concludes that the requirements of Minn. Rules, part 7830.4400, have been met and will order Minn. Rules, part 7815.1500, varied to waive the two-year waiting period to repetition for EAS.

The final issue for the Commission to address in this proceeding is the availability of optional toll calling plans for those subscribers in Osakis with high toll usage to the Alexandria exchange.

While the Commission will deny the EAS petition, the traffic studies indicate that a few subscribers in the Osakis exchange make numerous calls to Alexandria. Specifically, the Commission refers to the traffic study which indicated that 20 percent of Osakis subscribers made 70 percent of all calls to Alexandria. The Commission finds that there are optional toll calling plans that may assist those subscribers with high toll usage without burdening all local ratepayers in Osakis and Alexandria with the additional costs of EAS.

To address the needs of these high toll users, and because of the availability of the optional toll calling plans, the Commission concludes that it will direct Osakis Telco to report to the Commission on efforts undertaken to assess and meet the needs of the Company's high toll users in the Osakis exchange. Osakis Telco shall also indicate whether its existing tariff contains plans which satisfy the needs of its subscribers or whether it will be proposing new plans for inclusion in its tariff. Finally, the Commission is available to assist in facilitating meetings between Osakis Telco and the high toll users.

2. The petition for extended area service between Osakis and Alexandria is hereby denied.
3. Minnesota Rules, part 7815.1500, is varied to waive the two- year requirement before repeting for installation of extended area service between Osakis and Alexandria.
4. Osakis Telephone Company shall submit to the Commission and the Department of Public Service a report which describes its efforts to address the needs of its high toll users in the Osakis exchange. This report shall be submitted within 90 days of the issue date of this Order.
5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)
OSAKIS.ORD